EAGLEWOOD ENERGY INC.

(formerly Surge Resources Inc.)

UNAUDITED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2007

EAGLEWOOD ENERGY INC.
(formerly Surge Resources Inc.)

Consolidated Balance Sheets
(unaudited)

As at		**Sept 30 2007**		June 30 2007
ASSETS				
Current Assets				
Cash	$	**420,979**	$	583,276
Goods and services tax receivable		**6,328**		3,891
Prepaid expenses		**28,499**		-
		455,806		587,167
Property and equipment (note 4)		**5,880**		-
Deferred costs		**128,249**		128,249
Deferred financing costs		**103,948**		103,948
	$	**693,883**	$	819,364
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	$	**44,201**	$	59,109
Shareholders' Equity				
Share capital (note 5)		**5,807,409**		5,807,409
Contributed surplus (note 5)		**320,005**		294,667
Deficit		**(5,477,732)**		(5,341,821)
		649,682		760,255
	$	**693,883**	$	819,364

See accompanying notes to consolidated financial statements

Approved by the Board of Directors

"signed"
Ray Antony, Director

"signed"
Roy Hudson, Director

EAGLEWOOD ENERGY INC.
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Consolidated Statements of Loss, Comprehensive Loss and Deficit (unaudited)

Three months ended September 30		**2007**		2006
Revenue				
Interest income	**$**	**5,180**	$	7,935
Expenses				
Bank charges and interest		**55**		49
Management fees		**6,000**		6,000
Office		**9,646**		6,719
Professional fees		**64,431**		3,223
Public company		**9,584**		2,977
Consulting		**15,833**		62,630
Stock-based compensation		**25,338**		-
Travel		**-**		1,992
Other		**10,204**		-
		141,091		83,590
Net loss and comprehensive loss for the period		**(135,911)**		(75,655)
Deficit, beginning of period		**(5,341,821)**		(5,184,300)
Deficit, end of period	**$**	**(5,477,732)**	$	(5,259,955)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares used in computing loss per share:				
Basic and diluted		**15,744,942**		15,744,942

See accompanying notes to consolidated financial statements

EAGLEWOOD ENERGY INC.
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Consolidated Statements of Cash Flow
(unaudited)

Three months ended September 30		2007		2006
Operating Activities				
Net loss	**$**	**(135,911)**	$	(75,655)
Items not involving cash:				
Stock-based compensation		**25,338**		-
		(110,573)		(75,655)
Changes in non-cash working capital (note 8)		**(45,844)**		(20,226)
		(156,417)		(95,881)
Investing Activities				
Additions to property and equipment		**(5,880)**		-
Net decrease in cash		**(162,297)**		(95,881)
Cash, beginning of period		**583,276**		938,073
Cash, end of period	**$**	**420,979**		842,192
Supplementary information:				
Interest received	**$**	**5,180**	$	7,935
Interest paid	**$**	**-**	$	-
Taxes paid	**$**	**-**	$	-

See accompanying notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
As at September 30, 2007 and for the three month periods ended September 30, 2007 and 2006

1. NATURE OF OPERATIONS

Eaglewood Energy Inc. (collectively with its subsidiary, the "Company" or "Eaglewood") is listed and traded on the TSX Venture Exchange under the trading symbol EWD. The Company has no operations or business activities. Subsequent to the quarter end, the Company completed an asset purchase, as described in note 9, and will be transitioning to an oil and gas exploration company.

2. BASIS OF PRESENTATION

The interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Eaglewood Energy (BVI) Ltd. which was incorporated on July 4, 2007. Eaglewood's financial year end is June 30.

The interim consolidated financial statements for the Company have been presented in accordance with accounting principles generally accepted in Canada on the same basis as the audited financial statements as at and for the year ended June 30, 2007, except as outlined in note 3. These interim consolidated financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended June 30, 2007.

The Company requires additional financing in order to fund its future exploration activities. Management intends to raise the required financing through a combination of equity issues, joint venture or farm-out arrangements or by other means.

3. CHANGES IN ACCOUNTING POLICIES

Financial Instruments – Recognition and Measurement

On July 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Presentation and Disclosure*. These sections establish the standards for recognizing and measuring financial instruments in the financial statements. All financial instruments are classified into specific categories: financial assets available-for-sale, assets and liabilities held-for-trading, loans and receivables, investments held-to-maturity and other financial liabilities. Financial instruments are measured at fair value with subsequent measurement based on initial classification. Non-exempt derivative and embedded derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. All changes in their fair value are recorded in net income unless hedge accounting is utilized, which then requires any changes in fair value to be recorded in other comprehensive income until such time as the underlying hedge transaction is recognized in net income. If a hedge ceases to be effective, it is immediately recognized in net income.

As a result of the adoption of these standards, the Company has classified its cash as held-for-trading which is measured at fair value with changes recognized in net income. Goods and services tax receivable is classified as loans and receivables and accounts payable and accrued liabilities are classified as other liabilities, both of which are measured at amortized cost.

The Company has elected to measure all derivatives and embedded derivatives at fair value and the Company has maintained its policy not to use hedge accounting.

The carrying value and fair value of financial assets and liabilities as at September 30, 2007 are summarized below:

Classification	Carrying Value	Fair Value
Held-for-trading (Cash)	$420,979	$420,979
Loans and receivables (GST receivable)	6,328	6,328
Held-to-maturity	-	-
Available-for-sale	-	-
Other liabilities (Accounts payable and accrued liabilities)	44,201	44,201

Comprehensive Income

On July 1, 2007, the Company adopted the CICA Handbook Section 1530, *Comprehensive Income*. This section describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity resulting from transactions and events from sources other than the Company's shareholders. These transactions and events include changes in currency translation adjustments and unrealized gains and losses resulting from changes in fair value of certain financial instruments. The adoption of this section requires the Company to present comprehensive income as part of its financial statements.

Equity

On July 1, 2007, the Company adopted the CICA Handbook Section 3251, *Equity*. This section establishes the standards for presentation of equity and recognizing changes in equity occurring in the reporting period as a result of the adoption and application of Section 1530, Comprehensive Income, discussed above.

Accounting Changes

On July 1, 2007, the Company adopted CICA Handbook Section 1506, *Accounting Changes*, the only effect of which is to provide disclosure and the resulting impact to the Company when an entity has not applied a new source of Generally Accepted Accounting Principles ("GAAP") that has been issued but is not yet effective.

This applies to Section 1535, *Capital Disclosure* which is required to be adopted for fiscal years beginning on or after October 1, 2007. Eaglewood intends to adopt these standards on July 1, 2008. This section requires disclosure regarding the Company's definition of capital and its objectives, policies and process for managing capital. In addition, this section requires disclosure as to whether the Company has complied with externally imposed capital requirements. The adoption of this section will have no impact on the amounts that Eaglewood reports in its financial statements.

This also applies to Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentations* which are required to be adopted for fiscal years beginning on or after October 1, 2007. Eaglewood intends to adopt these standards on July 1, 2008 and it is expected that the only effect on the Company will be additional disclosures regarding the significance of financial instruments for the entity's financial position and performance, and the nature, extent and management of risks to which the entity is exposed arising from financial instruments to which the entity is exposed.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated depletion and depreciation	Net book value
Office equipment	$5,880	-	$5,880

5. SHARE CAPITAL

(a) Authorized:
The Company is authorized to issue an unlimited number of common shares.

(b) Common shares issued:

	Number of Shares	Amount
Balance at June 30 and September 30, 2007	15,744,942	$5,807,409

(c) Stock options:
The Company has a stock option plan for directors, officers, employees and consultants. Under the Company's stock option plan, the Company may grant options of up to 10% of the issued and outstanding common shares. The plan is administered by the Board of Directors. In accordance with the policies of the TSX Venture Exchange, the option exercise price, when granted, is based on the closing price of the Company's shares on the TSXV on the last trading day prior to the grant, subject to a permitted discount. Options granted under the plan have an exercise period not exceeding five years. The vesting period is determined at the time of grant at the discretion of the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
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Stock option continuity

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding June 30, 2007	600,000	$0.45	2.48 years
Granted	300,000	$1.35	
Outstanding September 30, 2007	900,000	$0.75	3.13 years

The weighted average fair value of the 300,000 options granted during the period is $0.41 per option.

Stock-based compensation

The fair value of common share options granted is estimated on the date of grant and is recognized over the vesting period. During the three months ended September 30, 2007, compensation expense in the amount of $25,338 (2006 - $nil) has been recorded in the consolidated statement of loss using the Black-Scholes option pricing model based on the following assumptions:

	Three months ended September 30, 2007
Expected life of options	2 years
Expected volatility	49%
Risk-free rate of return	4.45%
Dividend yield	0%

Contributed surplus continuity

Balance June 30, 2007	$	294,667
Stock-based compensation		25,338
Balance September 30, 2007	$	320,005

6. FINANCIAL INSTRUMENTS

The Company does not utilize derivative instruments to manage risks. The carrying amounts of financial instruments comprising cash, accounts receivable and accounts payable approximate their fair values due to the immediate or short term nature of these financial instruments.

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7. RELATED PARTY TRANSACTIONS

The Company has entered into transactions with related parties in the normal course of business, which were valued at the exchange amount established and agreed to by the related parties. During the three months ended September 30, 2007, the related party transactions were as follows:

(a) the Company incurred $6,000 (2006 - $6,000) for management services to a company in which a director of Eaglewood has a controlling interest.

(b) the Company incurred $36,541 (2006 - $3,223) for legal services to a law firm of which a director of Eaglewood is a partner.

8. SUPPLEMENTARY CASH FLOW INFORMATION

The following table details the components of non-cash working capital:

	Three months ended September 30, 2007	**Three months ended September 30, 2006**
Provided by (used in):		
Goods and services tax receivable	(2,437)	(2,900)
Prepaid expenses	(28,499)	(2,888)
Accounts payable and accrued liabilities	(14,908)	(14,438)
	(45,844)	(20,226)
Operating	(45,844)	(20,226)
Investing	-	-
	(45,844)	(20,226)

9. SUBSEQUENT EVENTS

On October 1, 2007 the Company closed an asset purchase agreement with Transeuro Energy Corp. ("Transeuro"). The Company acquired a 100% interest in four exploration prospecting licenses granted by the Government of Papua New Guinea and all related geological, seismic and technical data owned by Transeuro relating to the lands and licenses. As consideration for the asset purchase, the Company issued to Transeuro 30,000,000 common shares of the Company with a deemed price of $0.85 per share for total consideration of $25,500,000. The common shares are subject to an escrow agreement for a period of three years with an initial release upon receipt of final TSXV approval and further releases every six months thereafter.

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In connection with the Transeuro asset purchase agreement, the Company completed a private placement on June 28, 2007 which raised $10,200,000 through the issuance of 12,000,000 subscription receipts at a price of $0.85 per subscription receipt. Fees paid with respect to the financing were initially deferred. Upon closing of the asset purchase transaction the deferred financing costs will be reclassified to share capital. The gross proceeds, which had been deposited in escrow, were released on October 1, 2007 upon the completion of the Transeuro transaction. Each subscription receipt was deemed to be exchanged, without any additional consideration, for one common share upon the escrow release date. The agent was paid a cash commission of 6% of the gross proceeds and was granted an agent's warrant to purchase 600,000 common shares at an exercise price of $0.85 per common share until October 1, 2008.

On October 30, 2007, the Company changed its name to Eaglewood Energy Inc.